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C O N F I D E N T I A L SECTION 01 OF 03 ANKARA 004647

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SUBJECT: THE BASIC ELEMENTS OF TURKISH-IRANIAN RELATIONSHIP

REF: ANKARA 002045

Classified By: Political Counselor Janice G. Weiner, reasons 1.4 (b) and (d).

11. (C) Summary and Introduction: Turkey's relationship with Iran is long, complex, and multifaceted. The two are historical and regional rivals; mutual trust is a rare commodity. Nonetheless, Turkey and Iran have enjoyed improved political relations since the late 1990s --- when Iran stopped supporting terrorism in Turkey --- and steadily growing economic ties. Iran is an important bilateral and multilateral partner for Turkey and a major supplier of natural gas and crude oil. End Summary.

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An Uneasy Relationship  
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12. (C) Throughout history, Turco-Iranian relations have been difficult. The two countries are regional rivals who respect but do not trust each other. Although the modern republics of Turkey and Iran have never fought a war, there were no fewer than ten wars between the Ottoman Empire and various Persian dynasties over the past 500 years, the last being the Ottoman-Persian War of 1821-23. In addition, the "Young Turk" regime tried to destabilize Iranian Azerbaijan in 1908 and occupied Iranian territory during World War One.

13. (C) Turkish MFA and political party officials frequently assert to us that Turkey and Iran have enjoyed a peaceful, unchanging border for nearly 400 years --- an exaggeration. A border agreement was negotiated in 1913, but never signed due to the outbreak of the First World War. In the early 1930s, the parties negotiated a new border agreement and the Turco-Iranian border was finally set in January 1932.

14. (C) Under the Shah, Turkish-Iranian relations enjoyed a relatively positive period, but the 1979 Iranian Revolution ushered in serious bilateral conflicts. Turkish officials, particularly in the 1980s and 1990s, regularly accused Iranian diplomats of interfering in internal Turkish affairs and engaging in or supporting subversive activities, including assassination and terrorism. Over these past two decades, Turkish-Iranian relations have reached a crisis stage several times, sometimes resulting in the expulsion (or near expulsion) or recall of ambassadors and other diplomats.

15. (C) Iranian FM Manouchehr Motakki, who served as the

Iranian Ambassador to Turkey from 1985-89, was recalled to Tehran as the Turkish MFA was preparing to expel him because he had given public speeches condemning the Turkish headscarf ban in universities --- despite repeated requests from the MFA to desist from these activities --- and was allegedly involved in the assassination and kidnapping of Iranian dissidents living in Turkey. Iranian ambassador Mohammad-Reza Baqeri and the Iranian consul-general in Istanbul were expelled from Turkey in 1997-98 for subversive activities. Among other acts that angered the Turkish establishment, Baqeri, while standing under Palestinian Islamic Jihad and Hezbollah posters, condemned cooperation with the U.S. and Israel, and outlined Iran,s approach to sharia during a February 1997 speech before a crowd in the Ankara district of Sincan.

¶6. (C) Iran is also widely believed here to have played a role in the assassination of Iranian dissidents and secular Turkish intellectuals in the 1980s and 1990s because terrorists captured by Turkish authorities later confessed to receiving direct support, supervision, and training from Tehran. The most prominent Turkish intellectual murdered during this period was Ugur Mumcu, a secular investigative journalist killed by a bomb attack in 1993. Another victim was Muammer Aksoy, a liberal political scientist, assassinated in 1990. In 1993, Aziz Nesin, a leading author and essayist, was killed in an arson attack on a hotel and Onat Kutlar, a movie critic and writer, was killed by a bomb in 1994. Iranian involvement was also suspected, but never proven, in the 1995 assassination attempt against the then-head of the Ankara Jewish community. In addition, more than 50 Iranian dissidents appear to have been kidnapped or assassinated in Turkey by Iranian agents during this period,

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according to some reports.

¶7. (C) Turkey and Iran also have long vied for regional influence. Turkey, a democratic country with a large Sunni population, tried to export its system to Central Asia in the 1990s. Iran, an authoritarian Shiite theocracy, tried to limit Turkey,s influence and export its own political system. The two countries have also competed for influence over the Palestinian community, Muslim communities in the western Balkans, and the broader Middle East.

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Improved Relations in Recent Years  
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¶8. (C) Overall, Turco-Iranian relations have been on the up-swing since the late 1990s. In 1999, Turkey and Iran signed a border security agreement and in recent months Tehran has been cooperating --- to some degree --- with Ankara against the PKK/Kongra-Gel. The past decade has seen no new allegations of Iranian attempts at subversion or assassination within Turkey. To judge from the tempo and level of visits alone, the tone has improved. In 2003, 15 Turkish ministers traveled to Iran. President Sezer visited Iran in February 2004 and PM Erdogan went in July 2004. Iranian FM Mottaki came to Ankara in November 2005 and Iranian Parliamentary Foreign Policy, National Security, and Defense Affairs Committee Chair Aladdin Boroujerdi visited Ankara in March 2006. A Turkish parliamentary delegation also visited Iran in 2006.

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Borders, the PKK, and Bilateral Security Cooperation  
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¶9. (C) Since the 1980s, when the terrorist PKK was established, Iran has calibrated its approach to the PKK in an effort to maximize its influence over Turkey. When Turkish-Iranian relations were poor, Tehran provided material support, safe havens, and training to PKK terrorists. In the mid-late 1990s, for example, there were allegations that

around 1,200 PKK militants were residing at 50 PKK bases in Iran. With the improvement of relations, Tehran has been willing to cooperate with Ankara against the PKK, handing over alleged PKK in handfults, and going to far as to claim it was helping root out the PKK from northern Iraq.

¶10. (C) In August 1999, Turkey and Iran signed a border security agreement and agreed to exchange intelligence information and coordinate anti-insurgency operations. As part of the agreement, the two countries agreed to cooperate against the PKK and the Mujahideen-e-Khalq (MEK), but Tehran did not promise to immediately expel all PKK members from Iranian soil.

¶11. (C) Ankara and Tehran hold high level security meetings once every six months. They are conducted between the ministries of interior, with both delegations headed by the second highest ranking official in the ministry. In addition, regional security officials and border security officials along the Turco-Iranian border conduct local-level meetings on an irregular basis to discuss areas for improved cooperation and border enforcement.

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Border Gates and Transportation Links  
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¶12. (C) Two roads and one railway connect Turkey and Iran. The roads are more important than the rail crossing because rail traffic must be unloaded and reloaded on either side of Lake Van. The larger automobile border gate is Gurbualak in Agri province; the smaller crossing is at Esendere in Hakkari province, with the railroad crossing is at Kapikoy in Van province.

¶13. (C) These transportation links are important to Turkey because they connect Turkey not only to Iran, but also to Central Asia, Pakistan, and beyond. We regularly hear that 70,000 trucks cross the Turco-Iranian border every year headed for Central Asia. MFA Iran economic desk officer Ali Bozcaliskan claims that the importance of the rail link is increasing due to a recent decision by Japanese Tobacco to

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export Turkish tobacco along this line.

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Visa-Free Entry and Tourism  
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¶14. (C) Iranians do not need a visa to travel to Turkey and Iranian tourism in Turkey is booming. Antalya tourism industry contacts tell us that more and more Iranians are coming to Turkey's south for the sun and relaxed social atmosphere. In 2005, 960,000 Iranian tourists came to Turkey, a 50 percent increase over 2004, when 630,000 Iranians visited Turkey. Tourism dollars matter, too. Since 2004, the Iranian percentage of Turkey's total tourism has risen from around 3.5 percent to nearly 4.4 percent.

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Trade, Investment, and Energy  
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¶15. (C) Turkish-Iranian economic relations are growing. In 2005, Turkey exported approximately \$1 billion worth of goods and services (mostly consumer goods and processed materials) to Iran and imported over \$3 billion worth of Iranian products (mostly crude oil and natural gas). This trade volume represents a four-fold increase since 1995 when the two countries only traded goods and services worth a total of \$1 billion.

¶16. (C) The level of foreign direct investment between Turkey and Iran, however, is small, according to official statistics. In 2003, Turkish firms invested \$200 million in

Iran, dropping to just \$25 million in 2005. The decline was largely due to a new law passed by the Iranian parliament in September 2004 that required Iranians to own a majority share of all businesses operating in Iran.

¶17. (C) The new Iranian investment law negatively affected two large Turkish firms with major projects in Iran and cooled Turkish interest in Iranian economic opportunities. In 2003, TAV, an airport construction and operating concern with contracts in Egypt, Tunisia, Turkey, and Ukraine, won a \$200 million contract to build and operate for eleven years the new airport in Tehran. In summer 2004, Turkcell, a major Turkish cell phone operator, was awarded a 350 million Euro contract to build and operate an Iranian GSM network for 15 years. The Iranian foreign investment law voided both of these contracts and cost TAV about \$20 million.

¶18. (C) Iran is a major supplier of natural gas and crude oil to Turkey and, via Turkey, its energy transit corridor, to Europe. Iran is Turkey's largest supplier of crude oil and its second largest supplier of natural gas. In 2005, Turkey purchased 6 million tons of crude oil and 4.3 billion cubic meters of gas from Iran. These imports represent roughly 24 percent of Turkey's total crude oil and 16 percent of Turkey's total natural gas purchases.

¶19. (C) In 1996, Turkey and Iran signed a 25-year, \$30 billion natural gas contract and a gas pipeline between the two countries was completed in 2001. Despite this agreement, Tehran cut gas exports to Turkey both this past winter (2005-2006) and the previous winter for technical, and potentially political, reasons (more gas is needed in Iran during cold temperatures). In January 2006, gas shipments were cut by about 70 percent, producing a shortfall in Turkey of 15 to 20 percent on a daily basis. Turkey would have grounds to cancel its gas supply contract based on these cuts, but is unlikely to pursue this option. Meanwhile Turkish officials have been attempting, so far without success, to renegotiate what they believe to be very high-priced "take or pay" contract.

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